

15 Apr 2022

Tin Nghia Industrial (TIP)

AGM Briefing: Looking forward from 2023F

AGM Briefing

- On April 15, TIP made an AGM presentation briefing for the upcoming business expansion plan. Key issues covered were the 2022F guidance and their long-term targets.

Lack of residential revenue, 2022F guidance retreats

- Tin Nghia Industrial recorded a consolidated revenue of VND247.4bn, -5.2% yoy and a NPATMI of VND90.2bn, -33.2% yoy in 2021. Revenue mainly comprised of a VND56.8bn land rental, a VND24.7bn water supply, a VND5.4bn waste treatment, a VND28.8bn service fee and a VND128.3bn property revenue.
- In 2022F, the company offers unconsolidated guidance with a VND175bn revenue (+6.5% yoy) including around VND30-35bn interest income and a VND85bn NPATMI (0% yoy). The revenue estimates are major attributed to the land rental and related services.
- The company is concerned with a vulnerable landscape from COVID-19 which could harm the site visits, and sales launches of residential projects. Hence, they conservatively keep a zero earnings estimate from subsidiary's property contribution.
- We view this earning plan feasible as the company always beats the guidance in 2017-2021 by an average of 10-15%.
- At the end-2021, the company recorded a VND53.9bn inventory of Thanh Phu property project and a VND41.9bn inventory of Tam Phuoc property project.
- A cash dividend of 10% at par could be paid in 2022F.
- In the meeting, 1Q22 prelim unconsolidated results were disclosed with a VND30bn revenue (-10% yoy) and a VND14bn NPATMI (-41.6% yoy)

12M rating **Non-rated**

12M TP **N.A**

Up/Downside *N.A*

Stock Data

VNIndex (15 Apr, pt)	1,459
Stock price (15 Apr, VND)	44,500
Market cap (USD mn)	51
Shares outstanding (mn)	26
52-Week high/low (VND)	65,500/37,000
6M avg. daily turnover (USD mn)	0.62
Free float / Foreign ownership (%)	41.1/17.4
Major shareholders (%)	
Tin Nghia Corporation	56.74
America Limited	15.73
Vietnam Investment Limited	4.61

Performance

	1M	6M	12M
Absolute (%)	(5.0)	65.2	107.3
Relative to VNIndex (%p)	(4.8)	53.1	78.7

Stock price trend



Source: Bloomberg

	2017A	2018A	2019A	2020A	2021A
Sales (VND bn)	189.8	196.9	216.9	261.0	247.4
chg. (% YoY)	(1.5)	3.8	10.1	20.4	(5.2)
Operating profit (VND bn)	58.2	85.2	108.4	160.7	140.3
Net profit (VND bn)	55.8	92.2	86.8	135.1	90.2
EPS (VND)	2,145.0	3,545.0	3,336.0	5,196.0	3,470.0
chg. (% YoY)	(10.8)	65.3	(5.9)	55.8	(33.2)
EBITDA (VND bn)	75.3	102.4	124.0	169.6	145.8
PE (x)	21.4	13.0	13.8	8.8	13.2
EV/EBITDA (x)	14.0	10.1	9.7	6.9	8.0
PB (x)	2.7	2.6	2.5	2.1	1.8
ROE (%)	12.7	19.1	17.2	23.9	13.8
Dividend yield (%)	3.3	4.4	3.3	3.3	0.0

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

Right issuance to win the auction

- Launching Long Duc 3 Industrial Park with a total 253ha in Long Duc commune, Dong Nai province is the new catalyst to trigger earnings growth from 2023F onwards, per management.
- To acquire Long Duc 3 IP, the company must join the auction held by the People Committee of Dong Nai province who will pick up the most qualified candidate in terms of experience and bidding price.
- While further information about total investment outlay and capital structure are pending, the company insists on raising at least VND860bn cash to meet the land payment duty.
- TIP will seek a VND975bn cash by issuing 39mn shares at a selling price of VND25,000 from May 16 to Jun 06.

Rich valuation as investors' optimism looks excessive

- Based on management's guidance of 2022F profit, 12MF PE is 14.7 times and 12MF PB is 1.9 times, remarkably higher than the 1-year median of 9.1x and 1.8x, respectively.

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- Hold: Expected total return will be between -5%p and 15%p
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- Underweight: Recommend reducing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.

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